

SMITH COUNTY LIBRARY SYSTEM
SMITH COUNTY LIBRARY BOARD FUNDS

Financial Statements

For the Year Ended June 30, 2009

SMITH COUNTY LIBRARY SYSTEM – SMITH COUNTY LIBRARY BOARD FUNDS

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INTRODUCTORY SECTION

SMITH COUNTY LIBRARY SYSTEM – SMITH COUNTY LIBRARY BOARD FUNDS

Members of the Smith County Library Board

June 30, 2009

<u>Name</u>	<u>Title</u>
Wesley Rigsby	Chairman
Bob Woodard	Treasurer
Carolyn Webster	Board Member
Jacky Carver	Board Member
Brenda Bradford	Board Member
Anne Eastes	Board Member
Joey Nixon	Board Member

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

To the Smith County Library Board
Carthage, Tennessee

I have audited the accompanying financial statements of the Smith County Library System – Smith County Library Board Funds as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Smith County Library System – Smith County Library Board Funds' management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial reporting as contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

As discussed in Note 1, the financial statements present only the Smith County Library System – Smith County Library Board Funds and does not purport to, and does not present fairly the financial position of the Smith County Library System or Smith County, Tennessee as of June 30, 2009, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Smith County Library System – Smith County Library Board Funds as of June 30, 2009, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 31, 2009 on the consideration of the Smith County Library System – Smith County Library Board Funds' internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

The audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Smith County Library System – Smith County Library Board Funds' financial statements. The Introductory Section and the Financial Schedule as listed in the table of contents is not a required part of the financial statements. The Introductory Section and the Financial Schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

John R Poole, CPA

October 31, 2009

SMITH COUNTY LIBRARY SYSTEM - SMITH COUNTY LIBRARY BOARD FUNDS

Balance Sheet

June 30, 2009

Assets

Current Assets:

Cash and cash equivalents	\$26,825
Certificate of deposits	28,686
Total Current Assets	<u>55,511</u>

Total Assets	<u><u>\$55,511</u></u>
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Liabilities

Current Liabilities

Accounts payable	1,051
Total Current Liabilities	<u>1,051</u>

Fund Balance:

Unreserved	54,460
Total Fund balance	<u>54,460</u>

Total Liabilities and Fund Balance	<u><u>\$55,511</u></u>
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The accompanying notes are an integral part of these financial statements.

SMITH COUNTY LIBRARY SYSTEM - SMITH COUNTY LIBRARY BOARD FUNDS

**Statement of Revenues, Expenses
and Changes in Fund Balance**

For the Year Ended June 30, 2009

Revenues:

Donations - Smith County	\$67,065
Donations - Town of Carthage	6,000
Donations - Smith County Board of Education	2,250
Donations - Town of South Carthage	750
Donations - Town of Gordonsville	2,000
Other donations, fines and fees	16,167
Interest income	150
Total Operating Revenues	<u>94,382</u>

Expenses:

Personnel	54,046
Utilities, telephone and internet	5,226
Books purchased	19,032
Training and travel	316
Supplies	6,385
Total Operating Expenses	<u>85,005</u>

Net change in fund balance	9,377
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Fund Balance, June 30, 2008	<u>45,083</u>
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Fund Balance, June 30, 2009	<u><u>\$54,460</u></u>
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The accompanying notes are an integral part of these financial statements.

SMITH COUNTY LIBRARY SYSTEM – SMITH COUNTY LIBRARY BOARD FUNDS

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The Smith County Library System – Smith County Library Board Funds (Board Funds) is a part of the Smith County Library System, which is a department of Smith County, Tennessee. Smith County, Tennessee has allowed the Smith County Library System – Smith County Library Board Funds to have authority over certain funds, primarily funds donated to the Library Board and earned from various fines and fees. The audit of the Smith County Library System – Smith County Library Board Funds presented here is only for those funds mentioned in the following paragraph. The Smith County Library System – Smith County Library Board Funds does not contain any of the capital assets of the Smith County Library System. Books purchased by the Smith County Library System – Smith County Library Board Funds become the property of Smith County, Tennessee. Additionally, Smith County, Tennessee provides for certain insurance and certain occupancy costs of the Smith County Library System.

The Smith County Library Board Funds is comprised of a certificate of deposit (Memorial Trust), Children's Fund, Operating account, Carthage Book funds, Gordonsville Book funds and a Construction account which was closed during the year.

Reporting Entity:

Governmental Accounting Standards Board (GASB) Statement Number 14, "The Financial Reporting Entity" requires that financial statements present the reporting entity which consists of the primary government and any "Component Unit" organizations for which the primary government is financially accountable and any other "Component Unit" organizations for which the nature and significance of their relationship with the primary government are such that exclusion, could cause the Board Funds' financial statements to be misleading. There were no component units requiring blended or discrete presentation under the requirements of GASB Statement Number 14.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded generally when a liability is incurred, as under accrual accounting.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposit accounts, certificates of deposit with original maturities three months or less. When both restricted and unrestricted resources are available for use, it is the Board Fund's policy to use restricted resources first, then unrestricted resources as they are needed. There are no endowment funds.

Fund Equity

In the financial statements, governmental funds report reservations of net assets for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SMITH COUNTY LIBRARY SYSTEM – SMITH COUNTY LIBRARY BOARD FUNDS

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies, Continued

Deferred Revenue

Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to resources, the deferred revenue is removed from the statement of net assets and revenue is recognized. There was no deferred revenue at yearend.

Budgets and Budgetary Accounting

The Smith County Library System – Smith County Library Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Board vote on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The budget amounts are not shown in the financial statements as these amounts were not approved by the County Commission which is required by Tennessee Code Annotated, and as such the Library does not have a legally adopted budget. The Library Board does approve an annual budget.

(2) Cash and Cash Equivalents

The Board Funds are authorized to invest funds in financial institution demand deposit accounts and certificates of deposit. During the year, the Board Funds invested funds that were not immediately needed in certificates of deposits and savings accounts. The Board Funds have deposit policies to minimize custodial credit risks. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions.

The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the Board Funds and must total a minimum 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The Board Funds' deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

(3) Risk Management

The activities of the Smith County Library System are covered under the insurance policies of Smith County, Tennessee. The Smith County Library System – Smith County Library Board Funds does not carry insurance for their activities. Based on discussion with Board Funds' management additional insurance coverage is not carried given their limited activities.

FINANCIAL SCHEDULES

SMITH COUNTY LIBRARY SYSTEM - SMITH COUNTY LIBRARY BOARD FUNDS

**Schedule of Cash and Cash Equivalents and Certificate of Deposits
All Funds**

June 30, 2009

	<u>Carrying Value</u>
Cash and Cash equivalents	
Children's fund	3,734
Operating account	13,277
Gordonsville book fund	836
Carthage book fund	<u>8,978</u>
Total Cash and cash equivalents	<u>26,825</u>
Certificate of Deposits	
Memorial	<u>28,686</u>
Total Certificate of deposits	<u>28,686</u>
 Total - All accounts	 <u><u>\$55,511</u></u>

**COMPLIANCE AND
INTERNAL CONTROL**

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Smith County Library Board
Carthage, Tennessee

I have audited the financial statements (as listed in the table of contents) of Smith County Library System - Smith County Library Board Funds as of and for the year ended June 30, 2009, and have issued my report thereon dated October 31, 2009. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing the audit, I considered the Smith County Library System - Smith County Library Board Funds' internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Smith County Library System - Smith County Library Board Funds' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

The significant deficiency is as follows:

Prior Year:

06-01 County Commission not Approved Budget

Tennessee Code Annotated requires that the Library funds budget must be approved by the County Commission. The funds reported in this report were not approved by the County Commission.

Recommendation: All Library funds should be approved by the County Commission.

Management Response: All Library funds budgets were approved by the Library Board which is appointed by the County Commission.

Auditor's Conclusion: The Library understands it is not in compliance with Tennessee Code Annotated.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

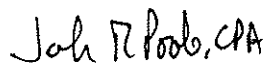
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Smith County Library System - Smith County Library Board Funds' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Smith County Library System - Smith County Library Board Funds' response to the finding identified in the audit is described above. I did not audit the Management Response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, and State Comptrollers Office and is not intended to be and should not be used by anyone other than these specified parties.

John R. Poole, CPA

October 31, 2009